

Financial Condition of Idaho Agriculture – 2015

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JFAC Outlook Committee
January 8, 2016

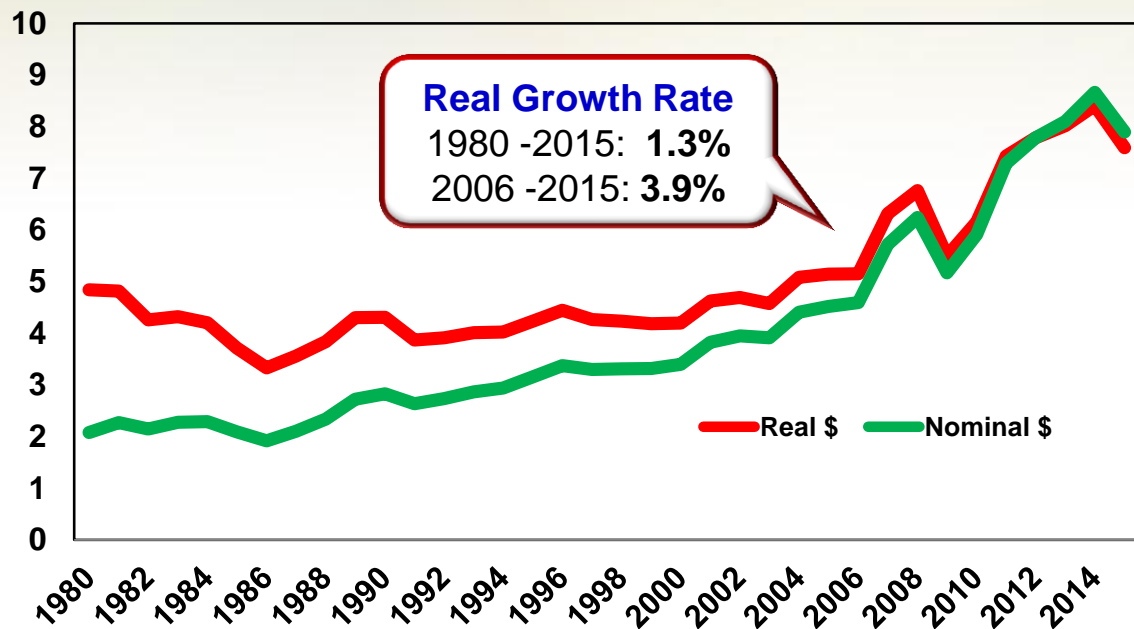
University of Idaho
College of Agricultural *and* Life Sciences

Overview

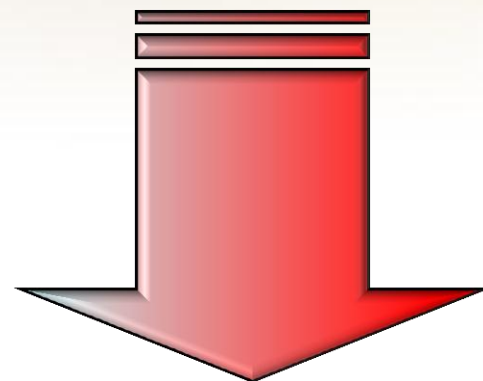
- 2015 forecast
 - Farm gate cash receipts
 - Government payments
 - Net farm income
- Farm financials
- Ag in Idaho's economy
- 2016 outlook

2015 cash receipts drop 9%, back to 2012 levels

Idaho Cash Receipts
(2012 dollars)



\$8.7 billion, 2014



\$7.9 billion, 2015

Source: USDA, 2014 U of Idaho

Cash Receipt Ups & Downs

Crops \$3.1 billion, ↓3%

Potatoes: ↓3%

Barley: ↑7%

Dry Beans: ↓1%

Wheat: ↓17%

Sugarbeets: ↑19%

Hay: ↓12%

Other Crops: ↑4%

Livestock \$4.8 billion, ↓13%

Cattle & Calves: ↑8%

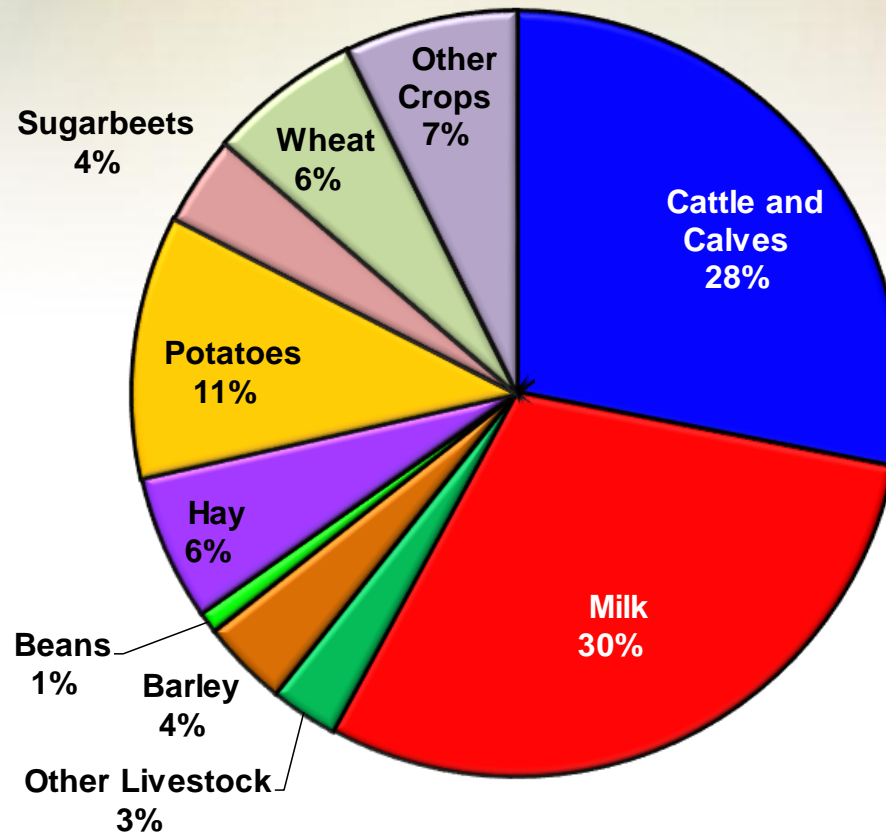
Milk: ↓27%



Source: University of Idaho

Idaho Ag is livestock

Idaho Cash Receipts, 2015

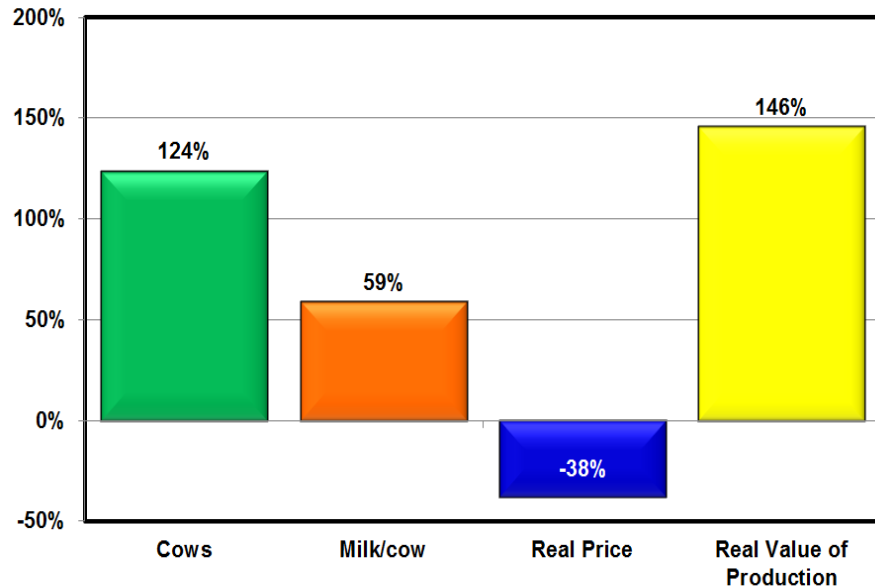


Source: University of Idaho

Ag growth comes from innovation

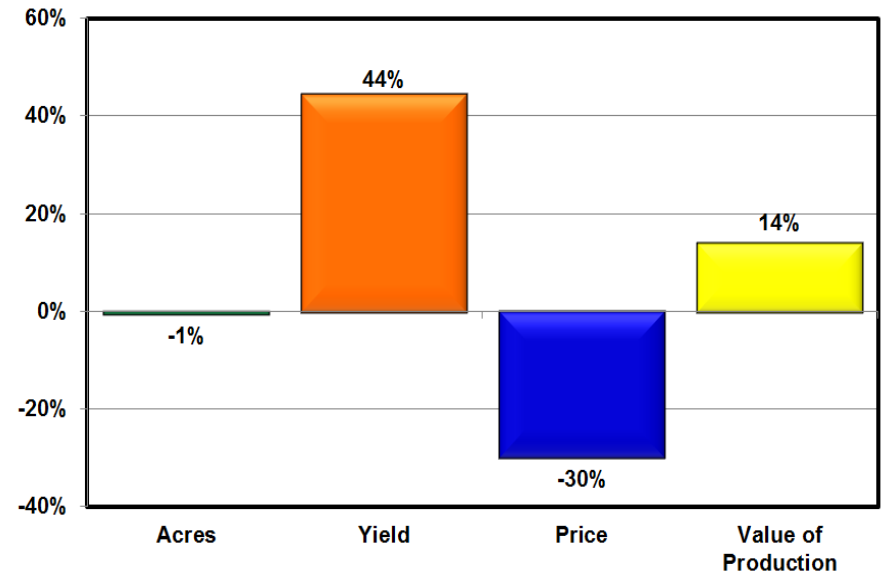
Dairy

Growth in Dairy Value of Production:
Idaho, 1980 to 2013
Real Dollars



Potatoes

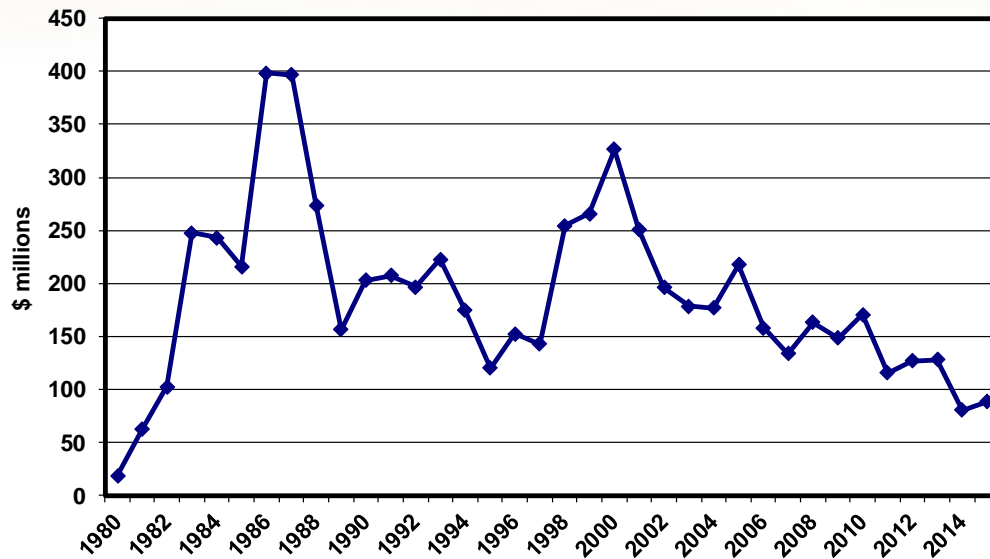
Growth in Potato Cash Receipts:
Idaho, 1980 to 2013
Real Dollars



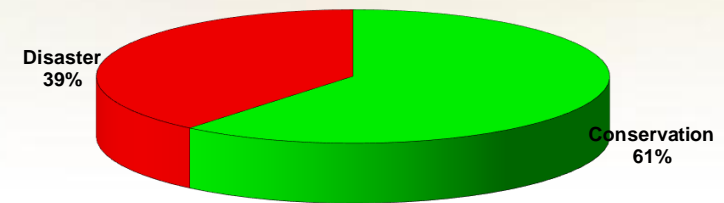
Source: University of Idaho

Idaho Government Payments

Direct government payments to Idaho agriculture
1980-2015 (Real dollars - 2012 base)



Government payments to Idaho agriculture,
FY 2015, \$61.5 million



Net farm income down 31%

Net farm income \$1.34 billion, down 31%

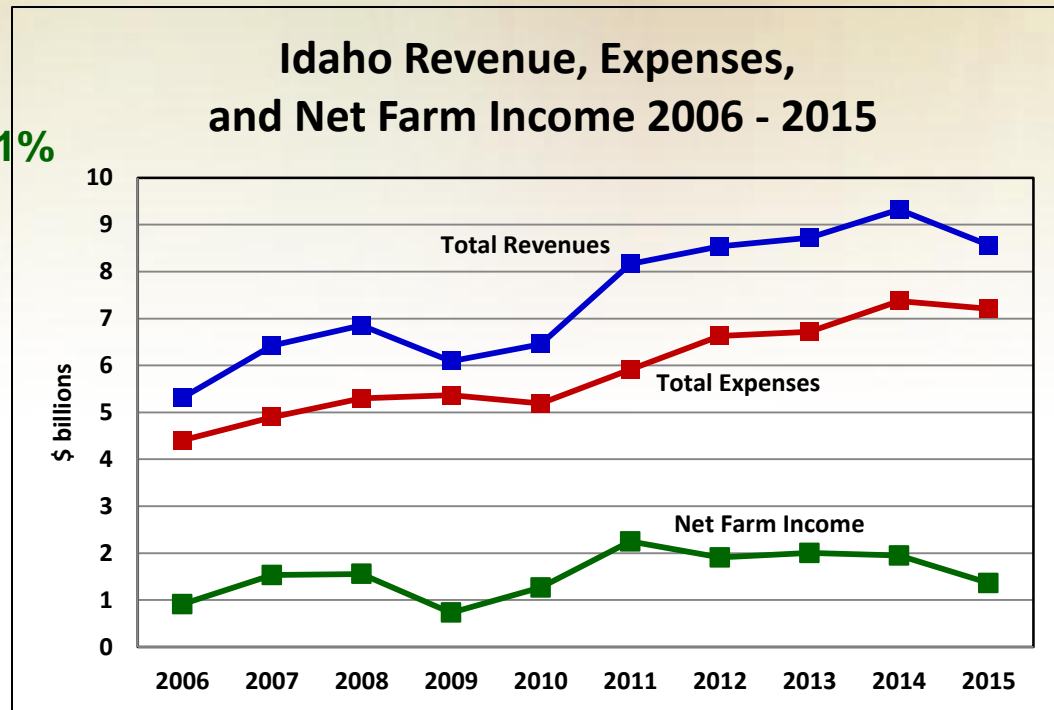
- 13% below 10 year avg.

Revenues down 8%

- Livestock receipts (-13%)
- Crop receipts (-3%)
- Govt. payments (+10%)

Expenses down 2%

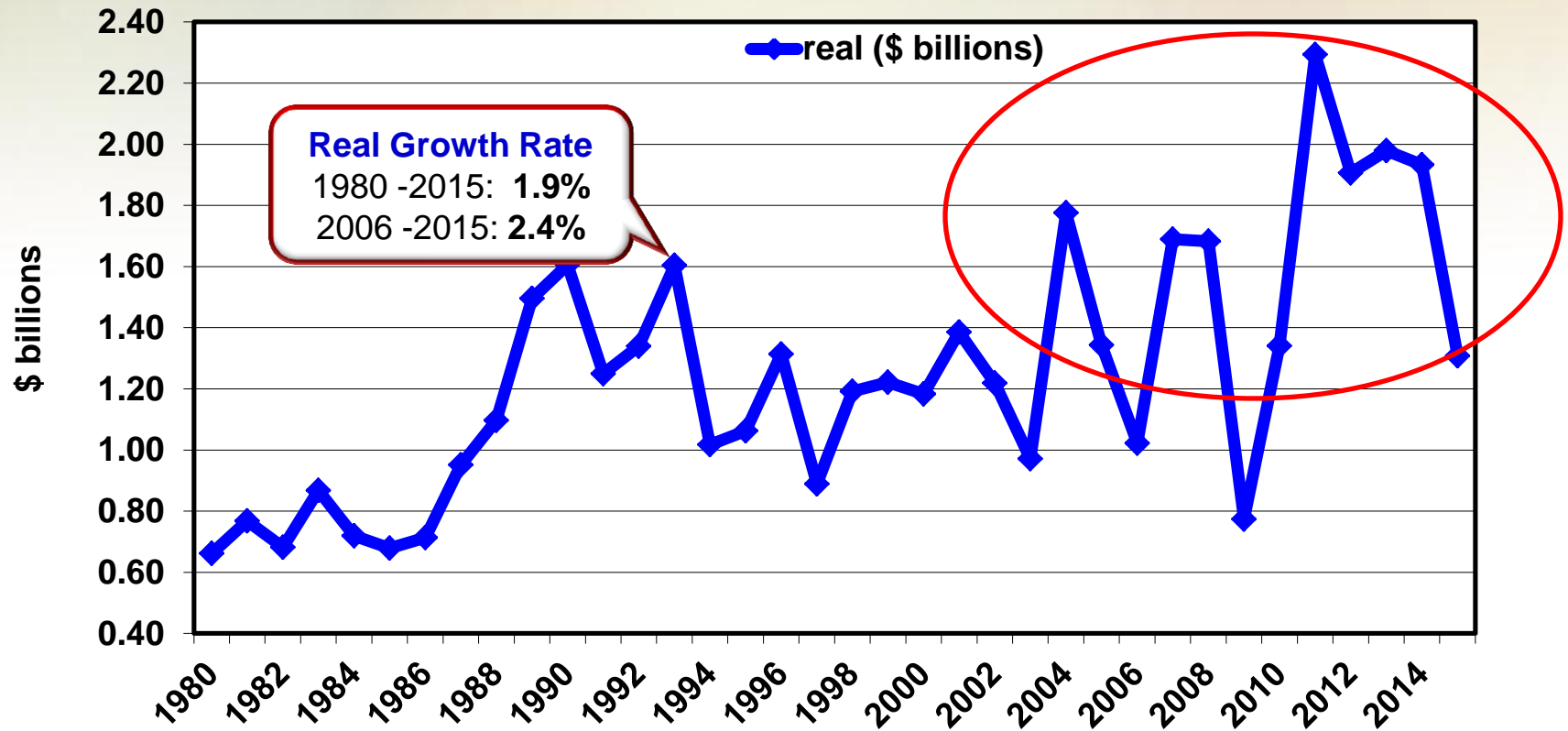
- Farm origin inputs (-5%)
- Manufactured inputs (-12%)
- Other inputs (0%)



Source: USDA-ERS, 2014 University of Idaho

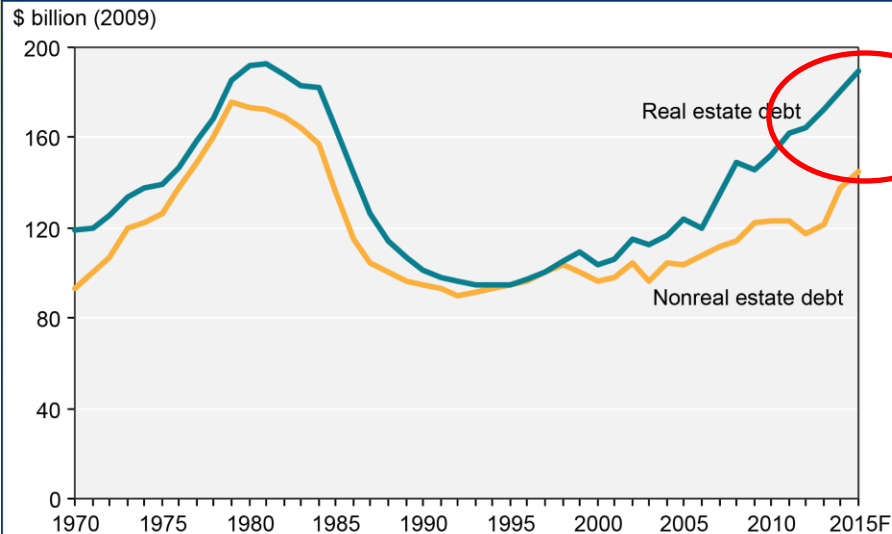
Idaho net farm income returns to the 2-3% growth

Real Idaho Net Farm Income,
1980-2015 2012 dollars



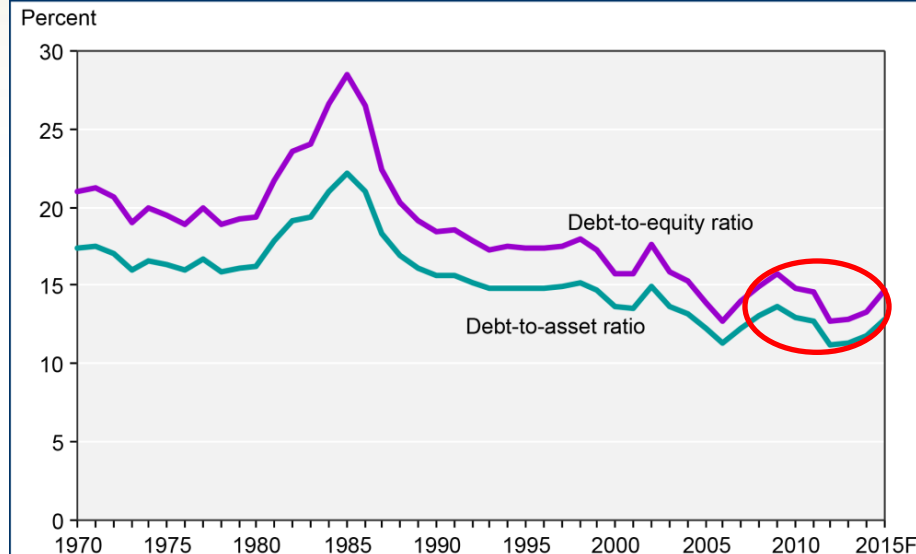
High debt offset by clean balance sheets

Farm sector business debt, inflation adjusted, 1970-2015F



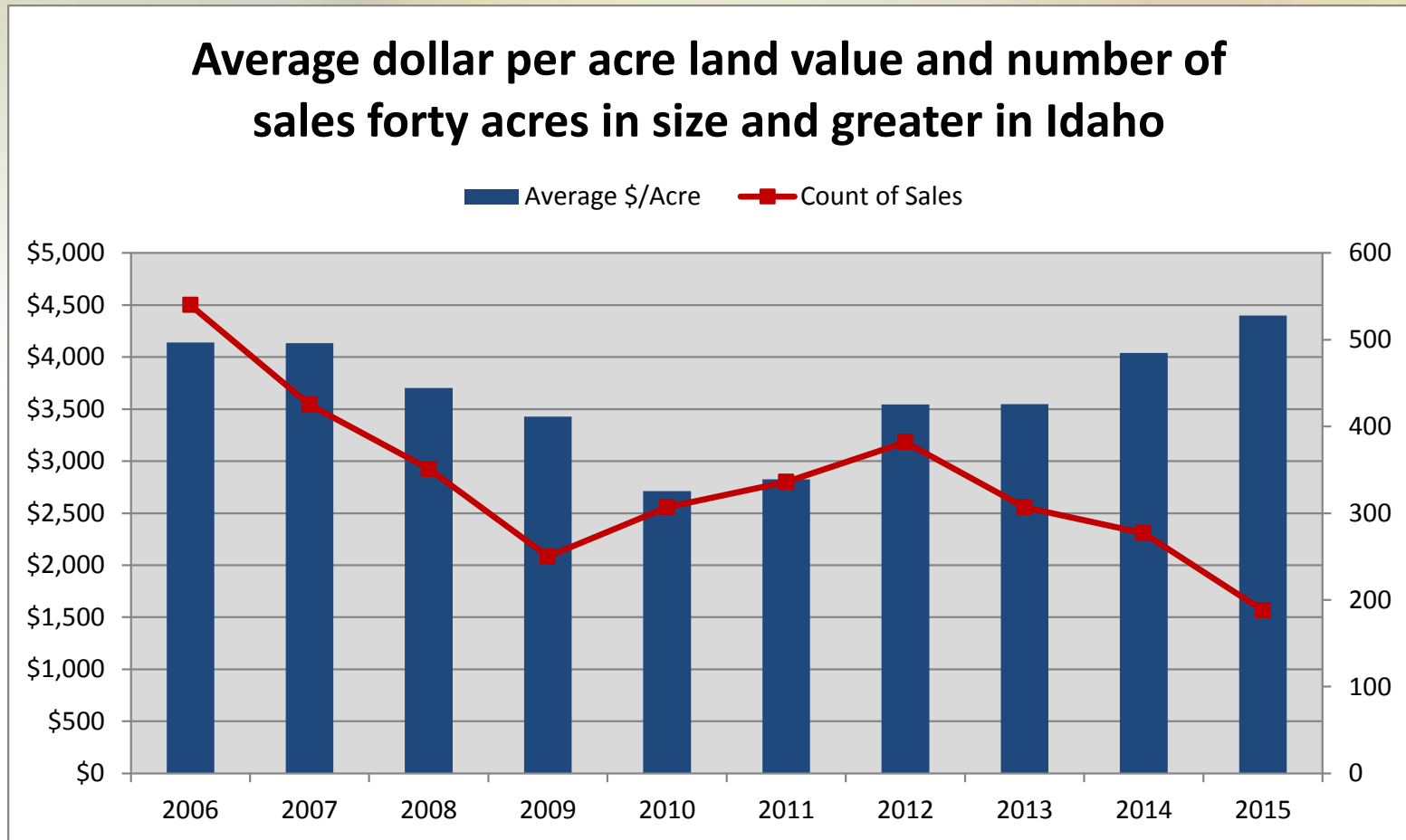
Note: F = forecast. The GDP chain-type price index is used to convert the nominal (current-dollar) statistics to real (inflation adjusted) amounts (2009=100).
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of November 24, 2015.

Farm sector solvency ratios, 1970-2015F



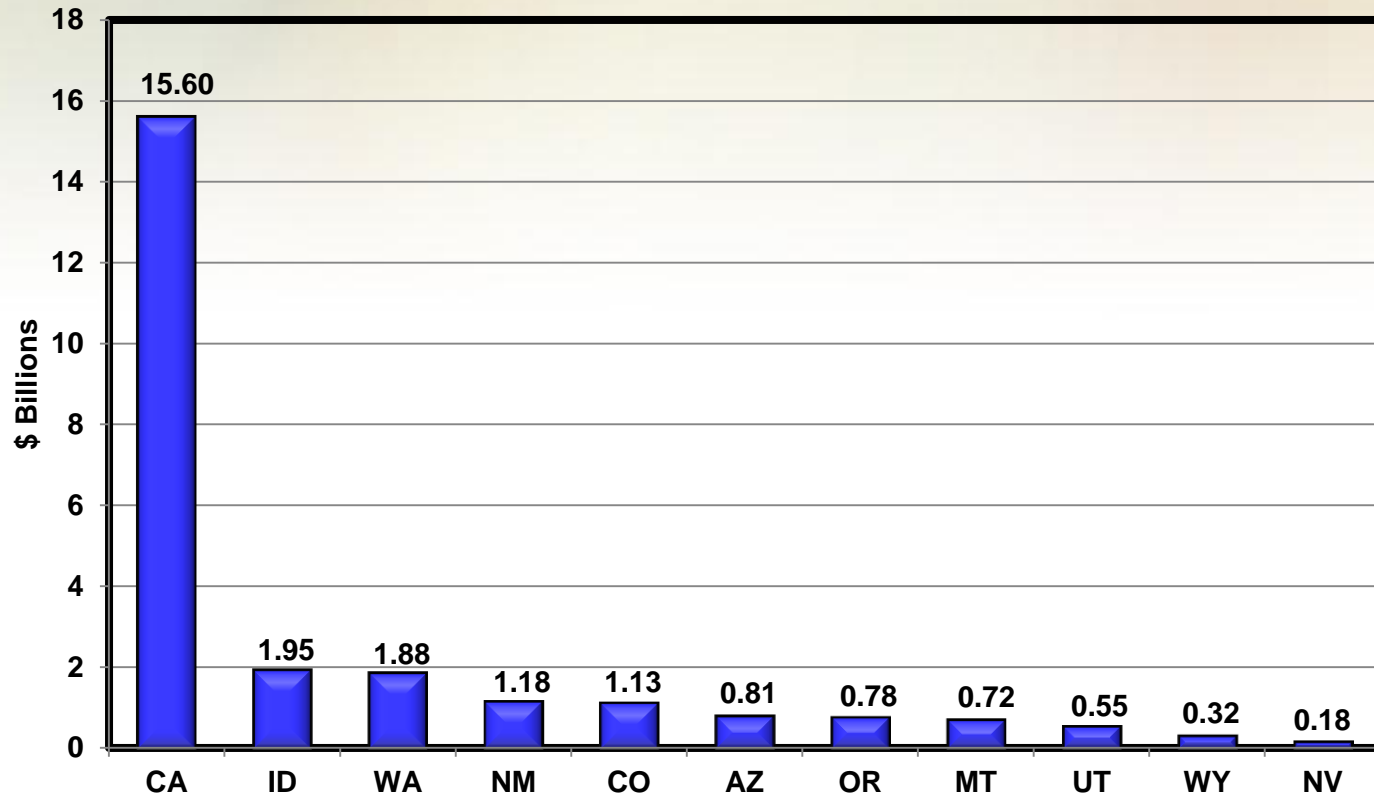
Note: F = forecast.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.
Data as of November 24, 2015.

Farmland values continue to rise

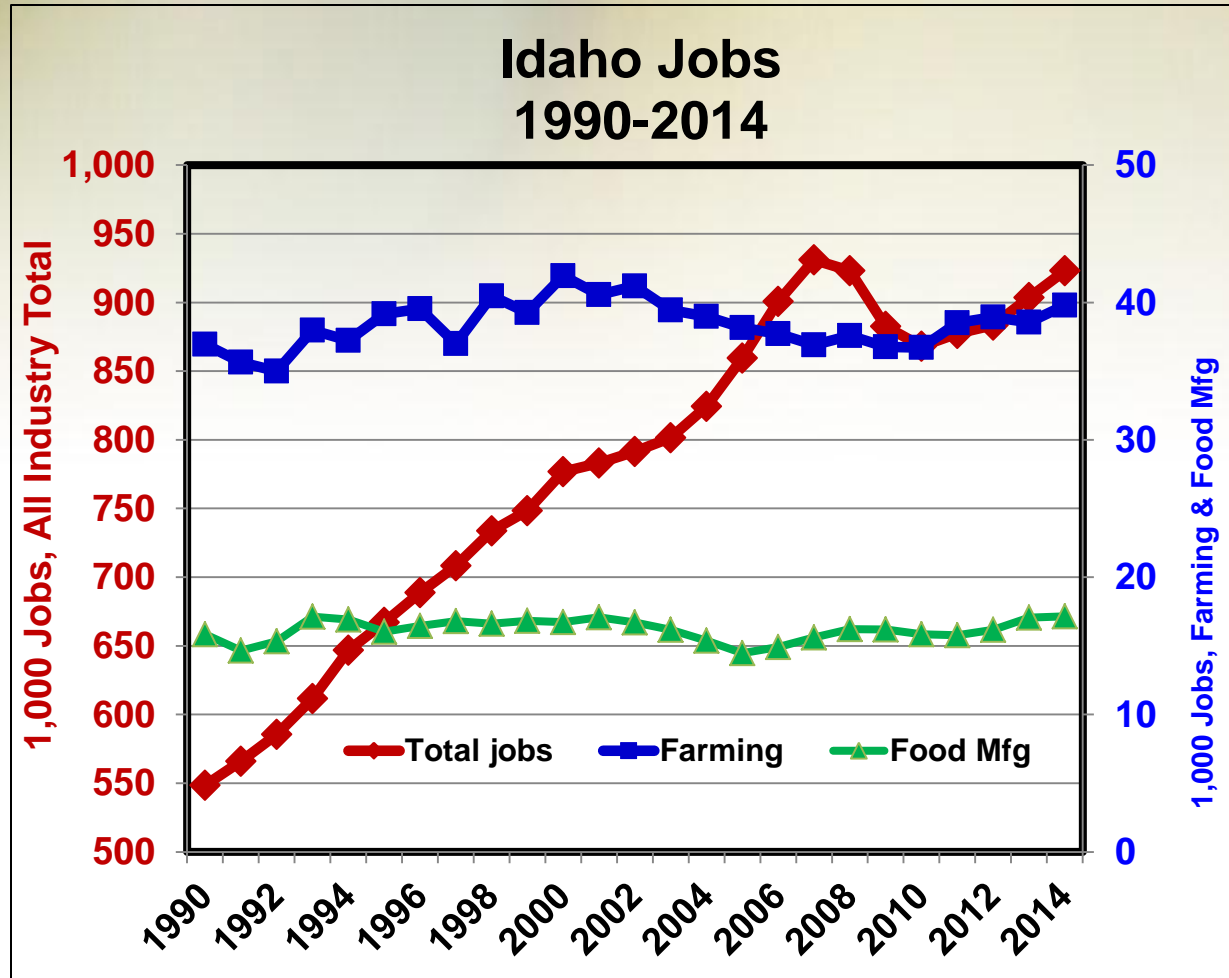


Of the 11 West states Idaho ranks 2nd in Ag

Net Farm Income
11 Western States, 2014



Farming & food manufacturing = steady jobs

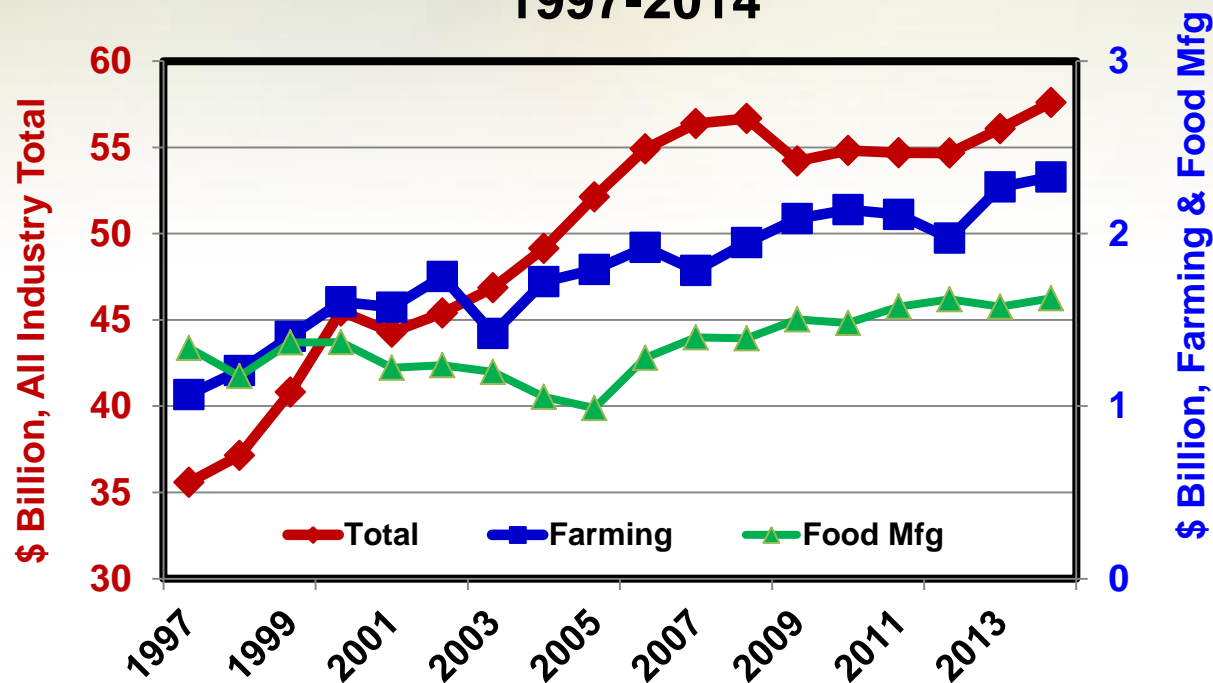


- **Total Idaho jobs**
 - 923,000 jobs
 - Increased 20,000
- **Farm jobs**
 - 39,800 jobs 2014
 - 4.3% Idaho total
 - Increased 1200 jobs
- **Food mfg jobs**
 - 17,100 jobs 2014
 - 1.9% Idaho total
 - Increased 90 jobs

Source: US Dept. of Commerce, BEA

Farming GDP is growing faster than Idaho GDP

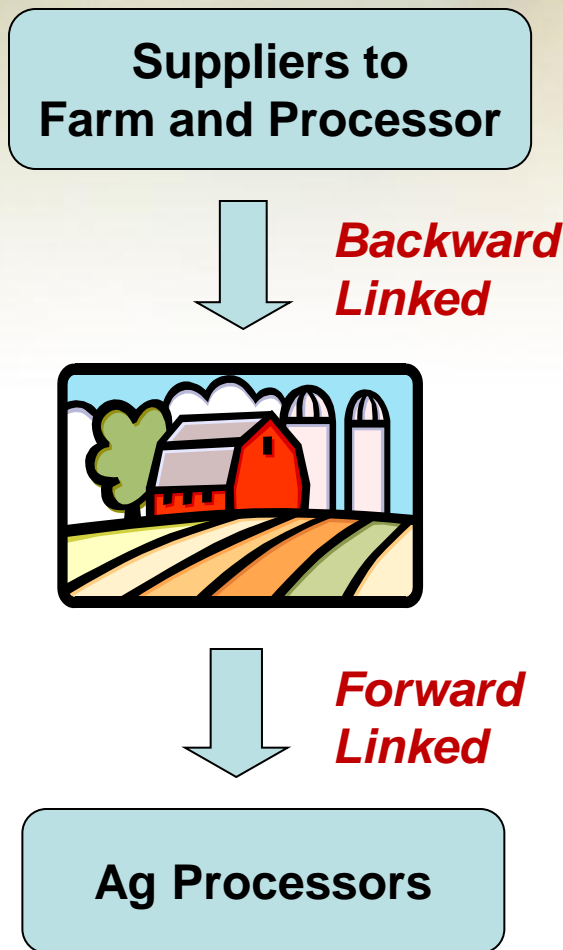
**Idaho Real GDP (2009 dollars)
1997-2014**



- **Idaho GDP (2009\$)**
 - \$58 billion in 2014
 - 2.9% (1997-2013) growth rate
- **Farming GDP (2009\$)**
 - 4% of Idaho GDP
 - 4.7% (1997-2014) growth rate
 - 2.5% increase over 2013
- **Food mfg GDP (2009\$)**
 - 2.8% of Idaho GDP
 - 1.1% (1997-2014) growth rate
 - 3% increase over 2013

Source: US Dept. of Commerce, BEA

What is Ag Business?



➤ ***What is Ag Business ?***

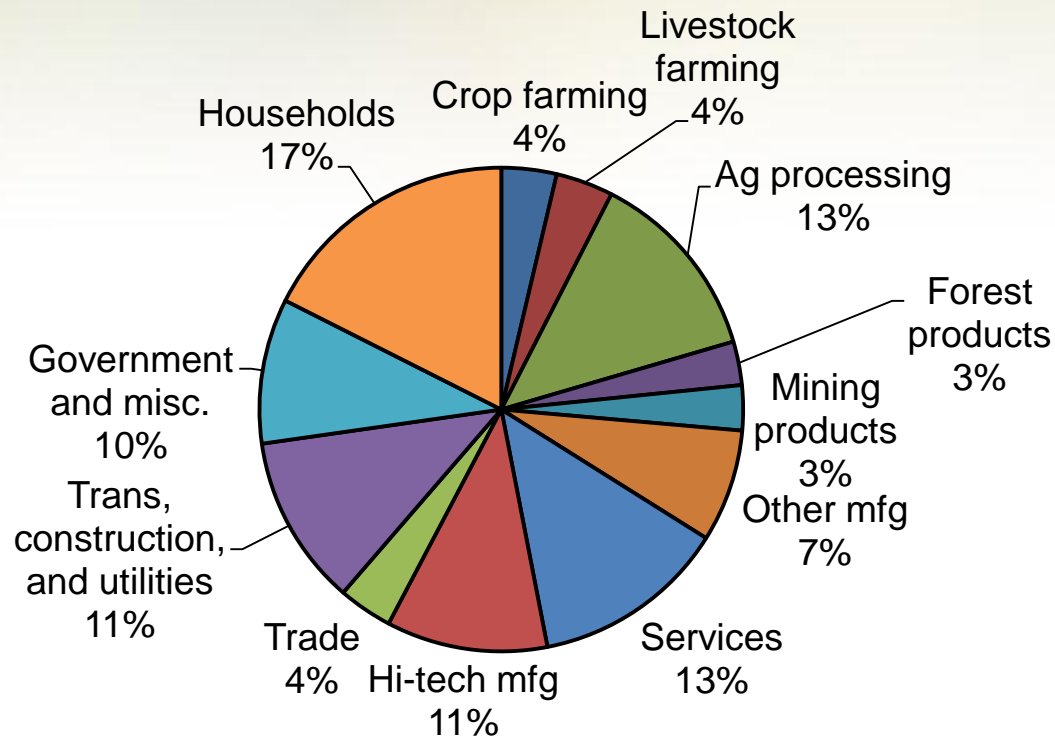
- Middle link (the farm)
- Backward links (suppliers to farms & processors)
- Forward links (processors)

➤ ***Contribution measures:***

- ***Accounting.***
- ***Base economy.*** driven exports (new money in economy)

Multiplier effects...AgBiz Idaho's largest industry

Idaho base output by sector of the Idaho economy, 2013



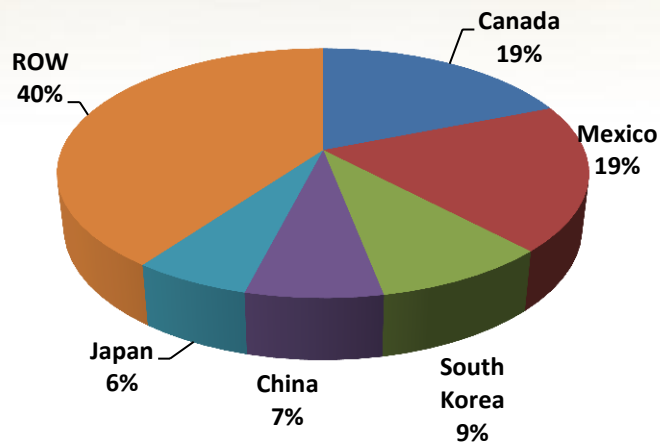
AgBiz multiplier effects

- 20% of output or sales
- 14% of jobs
- 16% of GDP

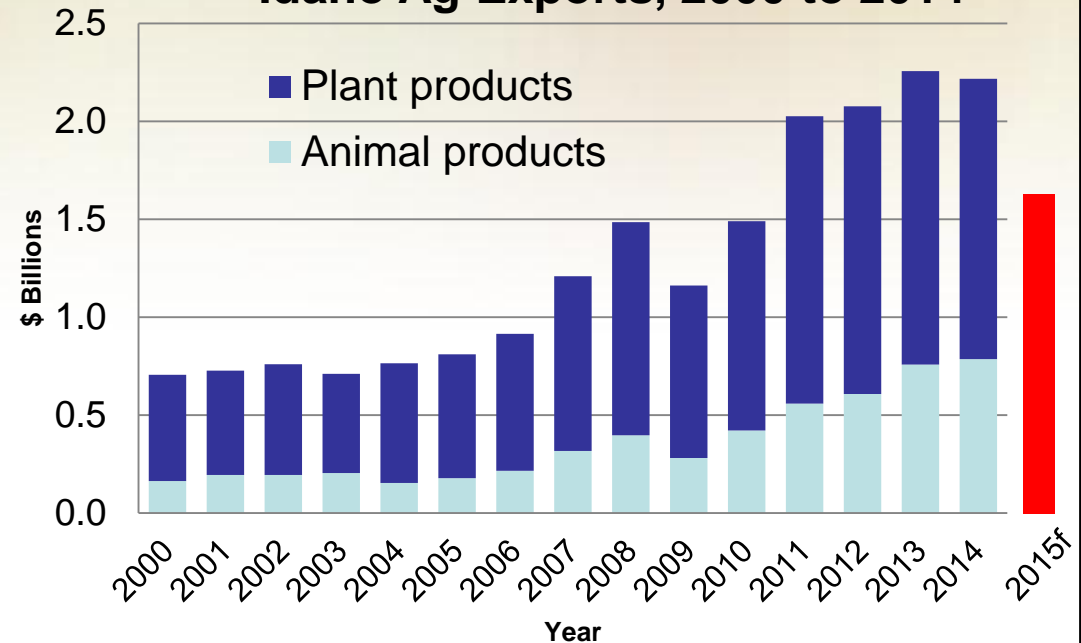
Source: Taylor & Eborn University of Idaho

Idaho Ag exports decline 25% in 2015

Idaho Exports by Country, 2014

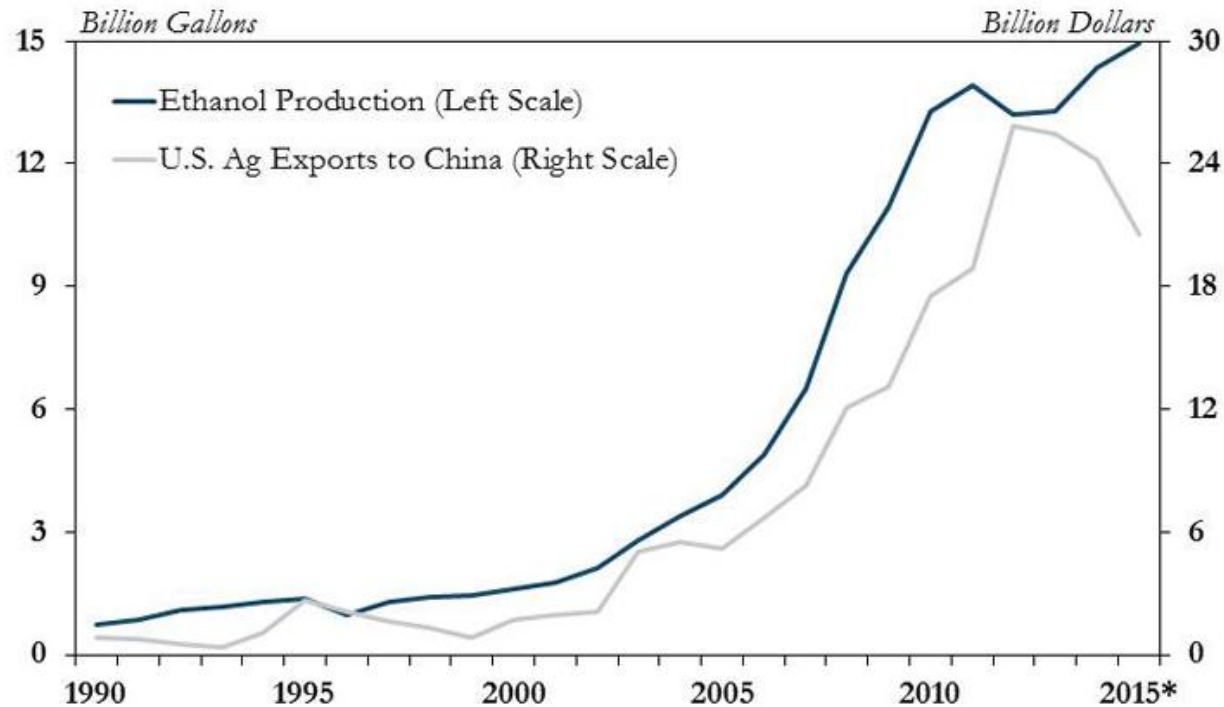


Idaho Ag Exports, 2000 to 2014



Source: Laura Johnson Idaho Dept. of Ag and USDA

Ethanol production levels off and China exports drop



Source: USDA

* 2015 Ethanol Production and Agricultural exports to China calculated as an annualized estimate based on the percent change of year to date exports through June from the same period the year before.

2016 Outlook

- Net farm income: Idaho -33% (2014 -3%, 2015 -31%); US -55% (2014 -36%, 2015 -38%)
- 2016 revenue themes
 - Weak export markets
 - Strong dollar (11 year high)
 - Weak foreign economies
 - Russian embargo
 - Ethanol boom over
 - Record grain production
 - Huge stocks
- 2016 costs themes
 - Oil below \$50 a barrel
 - Low, but rising, interest rates
 - Water challenges
- Grains; prices down 10 to 15%
- Hay; feeder price low & dairy price weak
- Spuds
 - Dumping and abandonment in other states
 - 2016 acres up = downward price pressure
 - “the only crop that **could** make money”
- Beef off the highs
- Milk – back to 2010 revenues
 - \$14/cwt for 1st quarter
 - Breakeven for 2nd and 3rd

Questions?